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October 13, 2011

VIA ELECTRONIC FILING
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: WC Docket No. 10-90, *Connect America Fund*; GN Docket 09-51, *A National Broadband Plan for Our Future*; WC Docket 07-135, *High-Cost Universal Service Support*; et al.

Dear Ms. Dortch:

On behalf of the SureWest Communications, pursuant to Section 1.1206(b)(1) of the Commission's Rules, I am electronically filing this notice of an oral *ex parte* communication in the above-referenced dockets.

Yesterday, Jack Day of SureWest Communications, and Paul Feldman and Christine Goepp of Fletcher, Heald & Hildreth, P.L.C., met with Michael Steffen, Special Counsel, Office of General Counsel. We discussed the matters in the attached handout. We also discussed SureWest's network topology, designation as an eligible telecommunications carrier, and current subscriber charges. We also pointed out that initial unification could be especially severe for carriers whose interstate local switching rates are currently below .005, depending on how the Commission treats unification for such carriers.

Please do not hesitate to contact me with any questions.

Respectfully submitted,

By: /s/ Christine Goepp
Christine Goepp
SureWest Communications

cc: Meeting participants (by email)



FCC Meetings – ICC/USF
October 2011

SureWest Communications

- SureWest is a triple-play provider in the Sacramento and Kansas City markets, with ILEC in Roseville (Sacramento) and CLECs in both markets.

-ILEC has approx. 55,000 access lines and is regulated by the FCC as a rate-of-return carrier.

- SureWest has long been a pioneer in network advances, and is in the process of converting to all broadband networks.

- That process will be a long one, requiring huge investment.

-Reform of Inter-carrier Compensation and Universal Service needs to be carefully considered and implemented:

- need to enhance investments in the broadband network *and*
- maintain quality service in the existing network during the transition.

SureWest Supports Many Elements of the Modified RLEC Plan

- ROR carriers must have a reasonable opportunity to recover ongoing costs and investment.
 - COLR obligations* to end users
 - Competing Providers* rely on high quality ILEC network:
 - transport
 - backhaul
 - access
- Inability to recover costs can lead to forced reduction of employees, will impact *service quality* and *slow down* broadband deployment.
- Substantial revision of ICC rules in a manner that denies ROR carriers even the *opportunity* to earn their authorized ROR triggers *Fifth Amendment Taking* concerns.

A Mid-Transition “Look-Back” Would Serve the Public Interest

- Given *breadth* of proposed changes, it would be critical to have a “look-back” in the middle of the transition, at least for the more *vulnerable ROR* carriers.

Look-Back:

- are revised ICC and USF *incenting broadband investment* and protecting the *integrity of the network*?

- July 29th Joint Letter proposed look-back at Step 5, when ROR local switching rates would be unified at \$.005.
- SureWest supports that proposal, but is looking for clarification how terminating *interstate* local switching rates *below* \$.005 would be handled.

How to Handle Unified Local Switching Rates Where *Interstate* Rate is Below \$0.005?

- **3 Possibilities:**

- i. The *intrastate* rate descends to the *interstate* level for unification *below* the \$.005 rate.
- ii. The *interstate* rate remains *below* \$.005 and the *intrastate* rate stops when it reaches \$.005.
- iii. The *interstate* rate is *brought up* to the \$.005 while the state rate is lowered to \$.005.

- Method iii could:

- unify the rates and thus *reduce jurisdictional arbitrage* and
- create less pressure on any *Recovery Mechanism*.

ICLS Will Provide Critical Cost Recovery for ROR Carriers During the Transition to All Broadband Networks.

- Transition to all broadband voice service will take a number of *years* and rural/high cost TDM voice needs support in the *interim*.
- *Flash cut* elimination of ICLS would eliminate important network cost recovery without adequate ability/time to properly *adjust* to the revenue loss.
- For SureWest, ICLS recovery through August 2011 is almost 34% of the amount recovered through *access charges*.

ICLS \$3,600,000

SLC \$3,200,000

Interstate Access

Charges \$1,500,000

Intrastate Access

Charges \$2,300,000

Total Access + ICLS = \$ 10,600,000

% ICLS Revenues = 34%

ICLS Will Provide Critical Cost Recovery *(cont'd)*

- The *MAG Order* explicitly recognized that ICLS facilitates lower SLCs and access rates, thus *promoting competition* in rural areas.
- Any cap on ICLS should be on a *per-study area basis*, not on a per-line basis. *Common line costs* of COLR obligations do not decrease on an *incremental* per-line basis.

ROR Transport Rates Should Be Addressed Separately From Local Switching

- Transport charges must be addressed separately from the local switching, as proposed in modified RLEC Plan. Transport *needs and network topology vary greatly* among ILECs and connecting carriers.
- For ROR carriers, *costs of transport* can be substantial, and proposals to reduce to \$0 *improperly shift* substantial costs from interconnecting carrier to the ILEC.

Transport impact on SureWest 2010 terminating side revenues:

-Terminating Transport Revenues = \$2,418,904

-Total Terminating Revenues = \$6,118,321

Transport = 39.5% of terminating revenues

- SureWest agrees with the modified RLEC Plan that transport rates could be limited to *unification* at the Interstate level at least until look-back.
 - This would create the benefit of *less pressure* on any *Recovery Mechanism*.

Direct IP-to-IP Interconnection

- Section 251(c) obligations would be triggered *if* the requesting entity is a *telecommunications carrier*, and the IP technology is used to deliver a *telecommunications service*.
- Any IP interconnection obligations must be subject to Section 251 requirements for *cost recovery*, and *technical feasibility* regarding the ILEC's *existing* network.
- SureWest would need to purchase additional hardware/software and pay associated license fees, as well as expand network rack space.
- There are many issues that have not been standardized in IP interconnection. Best approach would be to resolve through commercial carrier negotiations and industry standards organizations.

Questions?

Thanks!

Paul Feldman

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